

(FOR REFERENCE PURPOSE)

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

(Security code: 4552)

June 8, 2018

To the Shareholders

3-19 Kasuga-cho, Ashiya, Hyogo,
659-0021

JCR Pharmaceuticals Co., Ltd.

Representative Director,
Chairman and President

Shin Ashida

Notice of Convocation of The 43rd Ordinary General Meeting of Shareholders

You are cordially invited to attend the 43rd Ordinary General Meeting of Shareholders of JCR Pharmaceuticals Co., Ltd. (“JCR” or the “Company”) to be held at the time and place as detailed below.

In the event you are unable to attend the meeting, you may exercise your voting rights in writing: review the attached Reference Document for the Shareholders’ Meeting; to exercise your voting rights, indicate “affirmative” or “negative” to each proposal on the enclosed voting form, and return the form to us so that it arrives by close of business (6:00 pm) on June 26, 2018 (Tuesday).

Yours faithfully,

Details

1. **Date and time** 10 am, June 27, 2018 (Wednesday)
2. **Place** ANA Crowne Plaza Hotel Kobe (Room The Ballroom on the 10th floor)
1 Chome, Kitano-cho, Chuo-ku, Kobe
3. **Agenda:**
 - Matters to be Reported:** Business Report, Non-consolidated Financial Statements and Consolidated Financial Statements, and Audit Report of Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 43rd Fiscal Year (from April 1, 2017 to March 31, 2018)
 - Matters to be Resolved:**
 - Proposal 1** Appointment of nine (9) Directors
 - Proposal 2** Issuance of Share Options to Directors, Presidents of overseas subsidiaries, and Corporate Officers for Stock Option Scheme as Stock-linked Compensation Plan.

- ◎ You are kindly requested to bring the enclosed Voting Form with you on the day of the Shareholders' Meeting.
- ◎ Among documents that should be provided for the Notice of Convocation of the General Meeting of Shareholders, the "Notes to Consolidated Financial Statements" and the "Notes to Non-consolidated Financial Statements" are posted on the Company's website (<http://www.jcrpharm.co.jp/>) pursuant to laws and regulations and Article 16 of Incorporation of the Company, and therefore, are not included in the present documents provided for the Notice of Convocation of the General Meeting of Shareholders.
The Consolidated Financial Statements and the Non-Consolidated Financial Statements that were audited on the occasion of preparation of the audit report by Audit & Supervisory Board Members and the accounting audit report by the Accounting Auditor include matters that should be shown as the "Notes to Consolidated Financial Statements" and the "Notes to Non-consolidated Financial Statements" in addition to those described in the present documents provided.
- ◎ Any required corrections to the Business Report, the Consolidated Financial Statements, the Non-Consolidated Financial Statements and/or the Reference Document for the Shareholders' Meeting will be immediately posted on the Company's website. (<http://www.jcrpharm.co.jp/>).

Proposals and reference information

Proposal 1 Appointment of Nine (9) Directors

All of the current eight (8) Directors will reach the maturity of the term of office at the end of this Annual Shareholders Meeting. We propose to increase the number of Directors of the Company by one (1) in order to facilitate business expansion and further reinforce the Company's management supervision.

The nine (9) candidates nominated by the Board are as follows.

Candidate No.	Candidate Name	(Reference)	
		Present Position of JCR Pharmaceuticals Co., Ltd.	Attendance of the Board Meetings in the 43rd Fiscal Year (from April 1, 2017 to March 31, 2018)
1	Reappointed Shin Ashida	Representative Director, Chairman, President and CEO	100%
2	Reappointed Hiroshi Yoshimoto	Senior Managing Director and General Manager of Production Division	100%
3	Reappointed Mamoru Morita	Director and Head of Sales Division	100%
4	Newly-appointed Yuji Sato, M.D., Ph.D.	General Manager of Development Division	- %
5	Newly-appointed Toru Ashida	General Manager of Office of the President	- %

(FOR REFERENCE PURPOSE)

6	Reappointed	Toshihiro Ishikiryama	Outside Director Independent Director	Outside Director	100%
7	Reappointed	Takashi Suetsuna	Outside Director Independent Director	Outside Director	100%
8	Newly-appointed	Toshihide Yoda	Outside Director		- %
9	Newly-appointed	Yuko Hayashi, Ph.D.	Outside Director Independent Director		- %

(FOR REFERENCE PURPOSE)

Candidate
No.

1

Reappointed

Shin Ashida (January 2, 1943)

Number of Shares of
the Company 2,600
Owned shares

Summary of the Profile, Position, Responsibilities and Significant Concurrent Positions

September 1975	Appointed Representative Director and President at the establishment of JCR Pharmaceuticals Co., Ltd. (to present)	June 2007	Appointed President of the Company (to present) Appointed Chief Operating Officer (COO) of the Company (to present)
June 2005	Appointed Chairman of the Company (to present) Appointed Chief Executive Officer (CEO) of the Company (to present)		

[Significant Concurrent Positions]

Member of the Board of Directors of Future Brain Co., Ltd.
Representative Director and President of JCR INTERNATIONAL SA

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for a Member of the Board of Directors of the Company because of his ability and actual achievements as founder and business manager of the Company and for sustained enhancement of the company value in the future.

Candidate
No.

2

Reappointed

Hiroshi Yoshimoto (November 27, 1951)

Number of Shares of
the Company Owned 5,333
shares

Summary of the Profile, Position, Responsibilities and Significant Concurrent Positions

April 1972	Joined Taito Pfizer Co., Ltd. (currently, Pfizer Japan Inc.)	May 2011	General Manager of Production Division of the Company (to present)
December 1999	Plant Manager of Basic Production Plant and Nagoya Plant of Pfizer Japan Inc.	July 2011	Appointed Corporate Officer of the Company
August 2003	General Manager of Active Pharmaceutical Ingredients Manufacturing of Nagoya Plant of Pfizer Japan Inc.	June 2012	Appointed Member of the Board of Directors of the Company
		June 2014	Appointed Managing Director of the Company
March 2011	Joined JCR Pharmaceuticals Co., Ltd.	June 2016	Appointed Senior Managing Director of the Company (to present)

[Significant Concurrent Positions]

Chairman, He Bei Jie Xi Bio-products Co., Ltd.

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for a Member of the Board of Directors of the Company because he has abundant experience and knowledge in manufacturing and quality assurance of pharmaceuticals and is an appropriate person for enhancement of the corporate value of the Company.

(FOR REFERENCE PURPOSE)

Candidate
No.

3

Reappointed

Mamoru Morita

(December 9, 1961)

Number of Shares of
the Company Owned

2,477
shares

Summary of the Profile, Position, Responsibilities and Significant Concurrent Positions

April 1990	Joined JCR Pharmaceuticals Co., Ltd.	June 2014	Appointed Corporate Officer of the Company
April 2006	Sales Director of West Japan Sales Department and Manager of Kyushu Area of Sales Division of the Company	April 2016	Head of Sales Division of the Company (to present)
January 2014	General Manager of Sales Division of the Company	June 2016	Appointed Member of the Board of Directors of the Company (to present)

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for a Member of the Board of Directors of the Company because he has abundant experience and actual achievements in promotion of pharmaceuticals and is an appropriate person for enhancement of the corporate value of the Company.

Candidate
No.

4

Newly-
appointed

Yuji Sato, M.D., Ph.D. (June 28, 1964)

Number of Shares of
the Company Owned

0 share

Summary of the Profile, Position, Responsibilities and Significant Concurrent Position

November 2003	Joined Banyu Pharmaceutical Co., Ltd. (currently, MSD K.K., Japan) Director of Clinical Development Institute of Banyu Pharmaceutical Co., Ltd. (currently, MSD K.K., Japan)	September 2015	Joined Sanofi K.K., Japan Corporate Officer and Head of Japan of Research and Development of Sanofi K.K., Japan
January 2005	Director of CNS Development of Banyu Pharmaceutical Co., Ltd. (currently, MSD K.K., Japan)	December 2017	Joined JCR Pharmaceuticals Co., Ltd. Appointed Corporate Officer of the Company (to present) In charge of Development Strategy of the Company
April 2007	Professor of Center for Clinical Research of Keio University School of Medicine	April 2018	General Manager of Development Division of the Company (to present)
October 2009	Director of Center for Clinical Research of Keio University School of Medicine		

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for a Member of the Board of Directors of the Company because he has extensive experience and knowledge of clinical and research in the medical field as a medical doctor, professor in university and research and development department of pharmaceutical companies and is an appropriate person for enhancement of the corporate value of the Company.

(FOR REFERENCE PURPOSE)

Candidate
No.

5

Newly-
appointed

Toru Ashida (October 31, 1968) Number of Shares of the Company Owned **65,130 shares**

Summary of the Profile, Position, Responsibilities and Significant Concurrent Positions

April 1992	Joined Nippon Life Insurance Company	July 2014	Appointed Corporate Officer of the Company (to present)
April 2002	Appointed Representative Director and President at the establishment of JBS Co., Ltd.		General Manager of Corporate Business Support Division and Director of Corporate Strategy Department of the Company
January 2014	Joined JCR Pharmaceuticals Co., Ltd.	April 2016	General Manager of Office of the President of the Company(to present)

[Significant Concurrent Positions]

Representative Director and President of Future Brain Co., Ltd.

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for a Member of the Board of Directors of the Company because he has abundant experience in managing the organization at a major financial institution and operating an organization which supports facilities for clinical trial and is an appropriate person for enhancement of the corporate value of the Company.

Candidate
No.

6

Reappointed

Outside
Director

Independent
Director

Toshihiro Ishikiryama (October 12, 1952) Number of Shares of the Company Owned **2,000 shares**

Summary of the Profile, Position, Responsibilities and Significant Concurrent Positions

January 1996	General Manager of Corporate Planning of Hoechst Marion Roussel Inc. (currently, Sanofi K.K.)	April 2012	Member of the Board of Directors, Managing Director and General Manager of Vaccine Business Promotion Division of GlaxoSmithKline K.K.
January 2002	Joined GlaxoSmithKline K.K.	July 2012	Representative Director and Chairman of Japan Vaccine Co., Ltd.
March 2002	Member of the Board of Directors and General Manager of Corporate Planning of GlaxoSmithKline K.K.	June 2014	Representative Director and President of Japan Vaccine Co., Ltd.
April 2005	Member of the Board of Directors, General Manager of Financial Affairs and in charge of Business Development of GlaxoSmithKline K.K.	June 2015	Appointed Member of the Board of Directors (Outside Director) of JCR Pharmaceuticals. Co., Ltd. (to present)
June 2008	Member of the Board of Directors and Managing Director of GlaxoSmithKline K.K.	August 2016	President's Assistant of MEDINET Co., Ltd. (to present)

[Significant Concurrent Positions]

President's Assistant (Advisor) of MEDINET Co., Ltd.

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for an Outside Director because the Company expects his contribution to the Company by leveraging his abundant experience and expert knowledge as a manager of pharmaceutical companies in the management of the Company.

(FOR REFERENCE PURPOSE)

Candidate
No.

7

Reappointed

Outside
Director

Independent
Director

Takashi Suetsuna

(March 8, 1949)

Number of Shares of
the Company Owned 0 share

Summary of the Profile, Position, Responsibilities and Significant Concurrent Positions

April 1974	Joined the National Police Agency	June 2012	Retired from the above office
February 1994	Chief of Kochi Prefectural Police Headquarters	June 2013	Audit & Supervisory Board Member of Marubeni Corporation
September 1997	Director of Finance Division of Commissioner-General's Secretariat of National Police Agency	June 2015	Outside Director of Totetsu Kogyo Co., Ltd. (to present)
September 2001	Chief Inspector General of Commissioner-General's Secretariat of National Police Agency	June 2016	Audit & Supervisory Board Member of Keikyu Corporation (to present)
August 2002	Chief of Kanagawa Prefectural Police Headquarters		Audit & Supervisory Board Member of Kandenko Co., Ltd. (to present)
August 2004	Deputy Superintendent General of National Police Agency		Audit & Supervisory Board Member of JCR Pharmaceuticals Co., Ltd.
September 2005	Grand Chamberlain to the Crown Prince at the Imperial Household Agency	June 2017	Appointed Member of the Board of Directors (Outside Director) of JCR Pharmaceuticals. Co., Ltd. (to present)
April 2009	Ambassador Extraordinary and Plenipotentiary to Grand Duchy of Luxembourg		

[Significant Concurrent Positions]

Outside Director of Totetsu Kogyo Co., Ltd.
Audit & Supervisory Board Member of Keikyu Corporation
Audit & Supervisory Board Member of Kandenko Co., Ltd.
Councilor of All Japan Judo Federation of Public Interest Incorporated Foundation
Executive Board Members of Argerich Arts Promotion Foundation of Public Interest Incorporated Foundation

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for an Outside Director because the Company expects his contribution to the Company by leveraging his abundant experience in administrative agencies and a global perspective as a diplomat for use in management of the Company.

(FOR REFERENCE PURPOSE)

Candidate
No.

8

Newly-
appointed

Outside
Director

Toshihide Yoda (January 8, 1963) Number of Shares of the Company Owned 0 share

Summary of the Profile, Position, Responsibilities and Significant Concurrent Position

April 1985	Joined Nippon Kangyo Kakumaru Securities	April 2012	Member of the Board of Directors and Managing Director of Medipal Holdings Corporation (to present)
May 1989	Joined UBS Securities Japan Co., Ltd.		In charge of IR and General Manager of Business Development Department CMA (®) (to present)
July 1996	Joined ING Bearing Securities		
December 2000	Joined Lehman Brothers		
October 2008	Joined Barclays Capital Securities Japan Limited (Currently, Barclays Securities Japan Limited) Managing Director of Barclays Capital Securities Japan Limited (Currently, Barclays Securities Japan Limited)	May 2016	Member of the Board of Directors of SPLine Corporation (up to the present) Member of the Board of Directors of Medie Co., Ltd. (to present)
June 2010	Member of the Board of Directors of Medipal Holdings Corporation	June 2016	Member of the Board of Directors of Mediceo Corporation (to present)
		February 2018	Member of the Board of Directors of JCR USA, Inc. (to present)

[Significant Concurrent Positions]

Member of the Board of Directors and Managing Director of Medipal Holdings Corporation / Member of the Board of Directors of SPLine Corporation / Member of the Board of Directors of Medie Co., Ltd. / Member of the Board of Directors of Mediceo Corporation / Member of the Board of Directors of JCR USA, Inc.

Reason for Nomination as a Candidate for Director

The Company has nominated him as a candidate for an Outside Director because the Company expects his contribution to the Company by leveraging his extensive knowledge as an analyst of pharmaceutical sector in the financial industry and his various experiences of driving new business.

Candidate
No.

9

Newly-
appointed

Outside
Director

Independent
Director

Yuko Hayashi, Ph.D. (February 18, 1965) Number of Shares of the Company Owned 0 share

Summary of the Profile, Position, Responsibilities and Significant Concurrent Position

April 1988	Joined IBM Japan Ltd.	June 2015	Professor of Graduate School of Innovation and Technology Management of Yamaguchi University (to present)
April 2007	Lecturer of Graduate School of Innovation and Technology Management of Yamaguchi University Visiting Researcher of National Graduate Institute for Policy Studies	Apr. 2018	Visiting Researcher of Graduate School of Frontier Sciences of The University of Tokyo (to present)
April 2012	Associate Professor of Graduate School of Innovation and Technology Management of Yamaguchi University		

[Significant Concurrent Positions]

Administration Officer of Special Olympics Nippon of Public Interest Incorporated Foundation
Executive Director of 3.11 Earthquake Orphans Cultural and Sports Support Facilitation Corporation of Public Interest Incorporated Association

Reason for Nomination as a Candidate for Director

The Company has nominated her as a candidate for an Outside Director because her expertise on practical application of innovation and a wide range of extensive experience such as research activities on advanced medical care, diversity and promotion of women's participation and advancement in the workplace will help enhancement of the corporate value of the Company.

(FOR REFERENCE PURPOSE)

- (Note) 1. Yuji Sato and Toru Ashida are newly-appointed candidates for Director of the Company.
2. Toshihide Yoda and Yuko Hayashi are newly-appointed candidates for Outside Director of the Company.
3. Toshihide Yoda is a Managing Director of Medipal Holdings Corporation, and Medipal Holdings Corporation is a major shareholder of the Company.
4. There are no particular vested interests between other candidates and the Company.
5. Toshihiro Ishikiriyama and Takashi Suetsuna currently serve as Outside Directors of the Company, and Toshihiro Ishikiriyama will have served as an Outside Director for three (3) years and Takashi Suetsuna will have served as an Outside Director for one (1) year, at the conclusion of this Shareholders' Meeting.
6. When this proposal is approved as proposed, Toshihiro Ishikiriyama, Takashi Suetsuna and Yuko Hayashi will be registered at the Tokyo Stock Exchange as Independent Director without particular vested interests with the shareholders in general.
7. Pursuant to the Articles of Incorporation of the Company, the Company has concluded a contract with Toshihiro Ishikiriyama and Takashi Suetsuna with respect to limiting their liabilities for damages under Paragraph 1 of Article 423 of the Companies Act to the Minimum Liability Amount stipulated in Paragraph 1 of Article 425 of the Companies Act so far as they are performing their duties in good faith and without gross negligence. If the proposal is approved as originally proposed and both are re-elected, the above contract will be continued. In addition, when Toshihide Yoda and Yuko Hayashi are appointed, pursuant to the Articles of Incorporation of the Company, the Company has concluded a contract with them with respect to limiting their liabilities for damages under Paragraph 1 of Article 423 of the Companies Act to the Minimum Liability Amount stipulated in Paragraph 1 of Article 425 of the Companies Act so far as they are performing their duties in good faith and without gross negligence.

Criteria for independence of Outside Directors

In nomination of candidates for Outside Director of Member of the Board of Directors of the Company, the Company places great emphasis on abundant experience and high insight in corporate management etc. in addition to the requirements under the Company Law. Independent Director has been designated as a person who fulfills the qualification of an independent Director who is not likely to conflict of interest with the general shareholders as defined by the Tokyo Stock Exchange, Inc.

Proposal 2

Issuance of Share Options to Directors, Presidents of Overseas Subsidiaries, and Corporate Officers for Stock Option Scheme as Stock-linked Compensation Plan.

The stock-linked compensation stock option allotted to Directors of the Company, and Presidents of overseas subsidiary companies, and the Corporate Officers of the Company are intended to further increase their motivation for contribution or the morale toward continued enhancement of the business performance and corporate value in the medium- and long-term by sharing with shareholders not only merits from stock price rises but also risks from stock price falls. The amount of compensation to the Directors is set at “No more than ¥500 million annually.” We seek the approval of issuance of new share subscription rights as the stock-linked compensation stock option within this limit.

In addition, we would like to request the approval to issue new share subscription rights as the stock-linked compensation stock option to Presidents of overseas subsidiary companies and Corporate Officers of the Company as well.

Under the stock-linked compensation stock option, a payment amount for allotting new share subscription rights is set as the fair price, and instead of the payment of said amount, the Directors of the Company, and Presidents of overseas subsidiary companies, and Corporate Officers of the Company shall offset the payment with their claims for compensation from the Company.

This system was introduced in 2009 as a system replacing the retirement benefit plan for directors which was abolished on June 27, 2007.

1. Outlines of the new share subscription rights

(1) Persons subject to the allotment of the new share subscription rights

Five (5) Directors excluding Outside Directors of the Company, one (1) President of an overseas subsidiary company and six (6) Corporate Officers of the Company

(2) Type and number of shares of the new share subscription rights

Common shares of the Company limited to a maximum of 27,000 shares

(3) Total number of the new share subscription rights

Limited to a maximum of 270 units (100 shares to be issued per one unit of the new share subscription right.)

(4) Paid-in amount for the new share subscription rights

The paid-in amount shall be the fair value calculated by Black-Scholes Option Pricing Model on the date of allotment. The Company shall regard the monetary compensation equivalent to the paid-in amount to be paid to those Directors of the Company, and Presidents of overseas subsidiary companies, and Corporate Officers of the Company subject to an allotment of the new share subscription rights, and they shall obtain the new share subscription rights by offsetting said payment liabilities with their claims for compensation from the Company.

(5) Value of property to be invested upon exercise of the new share subscription rights

The value of property per one share to be invested upon exercise of the new share subscription rights (hereinafter referred to as the “Exercise Value”) shall be ¥1.

(FOR REFERENCE PURPOSE)

(6) Conditions for the exercise of the new share subscription rights

[1] The recipient of the new share subscription rights may exercise its rights no more than 10 days from the day following the date of loss of the position if he/she is a Director of the Company or a subsidiary company or from the day following the date of resignation of the position if he/she is a Corporate Officer. However, if a Corporate Officer who has become a Director of the Company or a Director of a subsidiary company resigns, he/she may exercise his/her rights for up to 10 days after the following day of the date he/she no longer occupies the position of Director. A Corporate Officer loses his/her rights if his/her resignation is due to dismissal or for personal reasons.

[2] The new share subscription rights shall be exercised collectively and may not be divided and exercised in parts.

[3] In the event the recipient of the new share subscription rights loses the position of Director of the Company or a subsidiary company or the Corporate Officer of the Company reaches retirement by the day before the Ordinary General Meeting of Shareholders scheduled to be held in June 2019, he/she will not be able to exercise the rights.

[4] The Company prohibits the pledging or other disposal of the new share subscription rights in any manner whatsoever.

[5] Other conditions for the exercise of rights shall accord with the provisions of the “New Share Subscription Rights Agreement” concluded between the Company and the recipient of the new share subscription rights.

(7) Inheritance of the new share subscription rights

If the recipient of the new share subscription rights deceased, only one of his/her legal heirs (hereinafter referred to as the “Successor to the Rights”) may exercise the new share subscription rights within one year only from the day following the date of death of the recipient of the new share subscription rights. In case the Successor to the Rights dies, the heirs of the Successor to the Rights may not inherit the new share subscription rights.

(8) Restrictions on the transfer of the new share subscription rights

The acquisition of the new share subscription rights by transfer requires the approval of the Board of Directors of the Company.

(9) Other matters

Other matters related to the new share subscription rights shall be determined by resolution of the Board of Directors.

2. Value of compensation, etc. of Directors and Corporate Officers based on the stock-linked compensation stock option

The total value of the new share subscription rights to be issued as the stock-linked compensation stock options to Directors of the Company, and Presidents of overseas subsidiary companies, and Corporate Officers of the Company shall be limited to a maximum of ¥200 million.

[Attachment] Report on business results (From April 1, 2017 to March 31, 2018)

1 Current Situation of the Corporate Group

1. Progress of business and its results

The overview of this consolidated fiscal year is as follows:

In terms of the sales performance, the sales of our core product GROWJECT[®], a recombinant human growth hormone product, continuously increased with the contribution of GROWJECT[®] 6 mg and 12 mg, liquid formation and its dedicated injector, GROWJECTOR[®]L launched in January 2017. Epoetin Alfa BS Inj. JCR, a recombinant human erythropoietin product, and TEMCELL[®] HS Inj., a regenerative medicine, also showed satisfactory sales performance. Thus, these three core products achieved more revenue than the previous period.

In terms of research and development, we are pleased to see the progress of the programs on track with favorable results, namely the application for marketing approval of JR-051, a biosimilar of a therapeutic enzyme for Fabry disease (agalsidase beta), was submitted in September 2017. Also, a phase III study of JR-131, a biosimilar of long-acting erythropoiesis stimulating agent (darbepoetin alfa) and phase I/II study of JR-141, an innovative therapeutic enzyme product for Hunter syndrome developed with our proprietary blood-brain barrier (BBB)-penetration technology, J-Brain Cargo[®]. Furthermore, in February 2018, favorable results were obtained from the joint research program on J-Brain Cargo[®] with Sumitomo Dainippon Pharma Co., Ltd., which led to the conclusion of a license agreement. In the cell therapy and regenerative medicine field, JCR concluded a co-development and license agreement with Teijin Limited in July 2017 regarding JTR-161, a regenerative medicine using an allogenic dental pulp-derived cells (DPC) for the indication of acute phase cerebral infarction.

In addition, the Company concluded a business and capital alliance agreement with Medipal Holdings Corporation on September 21, 2017 in order to further enhance corporate value and sustainable development for both companies from a long-term perspective, and the joint venture company, JCR USA, Inc., was established as the base for global expansion on January 1, 2018.

As a result of the aforementioned business activities, JCR Group overall recorded sales of 20,594 million yen (13.9% increase from the previous fiscal year), operating income of 3,784 million yen (60.2% increase from the previous fiscal year), ordinary income of 3,843 million yen (51.7% increase from the previous fiscal year), and current net income attributable to shareholders of parental company of 3,070 million yen (64.8% increase from the previous fiscal year). Each item exceeded the result of the previous fiscal year, and thereby, we successfully marked a record-high financial result for the fourth consecutive year.

(FOR REFERENCE PURPOSE)

Sales	Operating Income	Ordinary Income	Current Net Income Attributable to Shareholders of Parental Company
¥20,594 million	¥3,784 million	¥3,843 million	¥3,070 million
Against previous term 13.9% increase	Against previous term 60.2% increase	Against previous term 51.7% increase	Against previous term 64.8% increase

Situation in each business segment

Pharmaceuticals	Sales: 20,177 million yen (14.1% increase)	↑
-----------------	--	---

The monetary amount of sales of the Company's core product GROWJECT[®] continuously increased from the previous year and reached ¥11,495 million yen (up by 7.6%) attributed by the development of detailed area marketing and the effect of liquid formulation products launched in January last year. In addition, Epoetin Alfa BS Injection JCR and TEMCELL[®] HS Inj. performed favorably. As result, the sales of entire pharmaceutical products reached 20,177 million yen (up by 14.1% from the previous year).

Medical Devices and Laboratory Equipment	Sales: 417 million (2.3% increase)	↑
---	------------------------------------	---

The total sales of medical devices and laboratory equipment business recorded ¥417 million (2.3% increase).

Sales in each business segment were as follows.

Business Division	Amount	Against Previous Term	Composition Ratio
Pharmaceuticals	¥20,177 million	14.1%	98.0%
Medical devices and laboratory equipment	¥417 million	2.3%	2.0%
Total	¥20,594 million	13.9%	100.0%

(Note) Amounts of less than one million yen are rounded down to the nearest million yen

2. State of Financing

The Company did not raise funds by an increase in capital or issuance of corporate bonds during the fiscal year under review.

3. State of Capital Investment

The total value of investment in building, plant and machinery during the fiscal year under review was ¥908 million, of which the primary breakdown shows ¥279 million for pharmaceutical manufacturing facilities and ¥520 million for R&D facilities.

4. Challenges Need to be Addressed

In order to achieve sales of 25 billion yen and operating income of 5 billion yen as aimed in the 5-year mid-term management plan established in 2015 with the key concept of “HIYAKU” (leap into the future), and to realize JCR’s vision of becoming an “R&D oriented specialty pharma with global exposure which is built on proprietary biotechnologies and technologies supporting cell therapy and regenerative medicine”, we will address the following challenges:

(1) Increase sales and reduce cost price of core products

Since its launch in 1993, sales of JCR’s core product, GROWJECT[®], has been growing with expanded indications, development and launch of a unique electronically-controlled injector, and enforced promotion. In January 2017, GROWJECT[®] S.C. Injection 6 mg/12 mg, prepared as a liquid formation which does not require dissolution, and its dedicated injector GROWJECTOR[®]L were commercially released, and their sales have been increasing.

Epoetin Alfa BS Inj. JCR for treatment of renal anemia in dialysis patients keeps a high share of the short-acting erythropoietin product market. We will continue to strive in maximizing its sales in this therapeutic field.

TEMCELL[®]HS Inj. has been highly evaluated by medical institutions since its launch in February 2016 as a new treatment option for acute graft-versus-host disease (GvHD) following hematopoietic stem cell transplant. Initially, the distribution of the product was limited to those medical institutions which had participated in the clinical study. However, in October 2017, such restriction was lifted and availed TEMCELL[®]HS Inj. to be used in a wide range of medical institutions across Japan. Thus, the sales have been steadily growing as the number of treatment cases increase.

For these core products, we will aim to increase profits through synergistic effects of improving sales performance by strategic marketing efforts, reducing costs of production, logistics, and sales, and streamlining work.

(2) Progress in plans of R&D pipeline

< Develop new drugs >

[JR-141] (BBB-penetrating drug for Hunter syndrome)

(FOR REFERENCE PURPOSE)

JR-141 is an innovative therapeutic enzyme for Hunter syndrome developed with our proprietary blood-brain barrier (BBB)-penetration technology, “J-Brain Cargo[®]”. JR-141 is an innovative drug expected to exert its effect in Hunter patients with central nerve symptoms who have responded poorly to existing drugs. For such expectation as a breakthrough therapy, JR-141 was designated under SAKIGAKE Designation System in March 2018. The results to its phase I/II clinical study started in March 2017, revealed no safety concerns and demonstrated the drug penetrability into BBB and its effect on the central nervous system as expected. We will work towards the commencement of a phase II/III clinical study within 2018 and the application for marketing approval in Japan in 2019 as the top priority activity.

As for the overseas clinical trials, we are currently preparing towards the start of a phase II clinical study in Brazil.
[JR-162] (J-Brain Cargo[®]-applied Pompe disease drug)

The development of JR-162, a therapeutic enzyme for Pompe disease, is in progress as the second new drug candidate for lysosomal storage disorder using J-Brain Cargo[®], following JR-141. The results from an animal study showed its ability to be effectively delivered to skeletal muscles and suggested improvement of the symptoms in the skeletal muscles, typically observed in Pompe disease. Thus, we will advance the development of JR-162 with an aim to start a clinical study as early as possible.

[JR-171] (BBB-penetrating drug for Hurler syndrome)

The development of JR-171 as a therapeutic enzyme for Hurler syndrome was initiated as the third new drug candidate for lysosomal storage disorder using J-Brain Cargo[®], following JR-141 and JR-162. Hurler syndrome (mucopolysaccharidosis type I), like Hunter syndrome, is a disease characterized by a lack or mutation of a specific enzyme resulting in buildup of undegraded substance in the brain and thus affecting the central nervous system. In an animal study, JR-171 effectively reduced the stored substance in the brain as well as other tissues. In view of such, JR-171 is expected to improve the symptoms not only in the peripheral organs but also in the central nervous system. We will advance the development of this drug candidate to initiate a clinical study as early as possible.

Other than these development programs, we will also gear up the basic research of other 12 types of lysosomal storage disorders to which J-Brain Cargo[®] can be applied and aim to enrich the development pipeline with those programs as early as possible.

[JR-142] (Long-acting growth hormone product)

Currently, we are collecting basic data on this long-acting growth hormone product using modified albumin with the aim to initiate a clinical study in FY2018. We will strive to develop JR-142, as a long-acting drug candidate in the GROWJECT[®] product portfolio..

< Develop regenerative medicine >

[Indication expansion of TEMCELL] (Epidermolysis bullosa treatment)

As an expanded indication of TEMCELL[®] HS Inj., an investigator-initiated study is being performed for epidermolysis bullosa, by Osaka University. Epidermolysis bullosa is a rare disease affecting an extremely limited number of patients and also it is a serious intractable disease with no established treatment. We will continue to make efforts to obtain an

(FOR REFERENCE PURPOSE)

early approval in cooperation with Osaka University.

[JR-161/JTR-161] (Acute phase of cerebral infarction treatment)

As a regenerative medicine following TEMCELL[®] HS Inj., we have established the production method for dental pulp derived stem cells (DPC) with our proprietary technology. In July 2017, we concluded a co-development agreement with Teijin Limited for targeting the indication of acute phase cerebral infarction. Both companies will cooperate and promote the development to start a clinical study within FY2018 with a view to develop this product candidate as a core regenerative medicine in the next generation.

<Develop biosimilars>

[JR-051] (Agalsidase beta biosimilar)

In September 2017, we applied for its marketing approval. In anticipation to obtain the approval within 2018, we will build up the supply and sales system, etc with the aim of a quick penetration into the market.

[JR-131] (Darbepoetin alfa biosimilar)

In January 2018, its equivalence to the originator drug was verified in the phase III clinical study. We will steadily advance the development towards application of its marketing approval within 2018.

(3) Licensing business

To become an “R&D oriented specialty pharma with global exposure,” we believe it is crucial to out-license our in-house developed products and technologies.

Licensing out of products will involve those from the J-Brain Cargo[®] series, starting with JR-141 (Hunter syndrome). As we advance the development and work towards filing for marketing approval of JR-162 (Pompe disease) and JR-171 (Hurler syndrome), as well as other therapeutic enzymes for lysosomal storage disorders in Japan, we will also explore optimal options to facilitate early development in overseas and consider outlicensing of those drug candidates, if necessary.

As to licensing out of JCR technologies, J-Brain Cargo[®], our proprietary technology, can be widely applied to many drug candidate substances targeting the central nervous diseases, and we will proactively negotiate with partnering companies in Japan and overseas. We concluded a feasibility study agreement with Sumitomo Dainippon Pharma Co., Ltd. in June 2015. Our joint research generated good results, which led us to conclude further agreement for a license in February 2018. We also concluded basic research agreements with Eisai Co., Ltd., Peptidream Inc., and NanoCarrier Co., Ltd. to pursue further potential of J-Brain Cargo[®]. Ongoingly, we will consider technology license out not only to domestic companies in Japan but also to companies abroad.

(4) Global expansion

We established JCR USA, Inc., a joint venture company in the US, with Medipal Holdings Corporation in January 2018 as a base to promote global expansion of R&D pipeline including JR-141 and to start a clinical trial in the US as early as possible. We will rapidly implement global expansion of our lysosomal storage disease pipeline such as JR-141, JR-162,

(FOR REFERENCE PURPOSE)

and JR-171 in cooperation with the key opinion leaders in this field.

Also, to respond to progress of global development and enrich product pipeline on the market, we are now considering the construction of a new manufacturing site in Grand Duchy of Luxembourg as a mid- and long-term capital investment strategy.

We consider these activities are an important step to establish a global organization and will proactively engage ourselves down the road.

It has been three fiscal years since JCR announced the 5-year mid-term management plan. The sales of existing products have been brisk and the currently developed products are according to plan. We believe this indicates the likelihood of our achieving the 5-year mid-term management plan.

The true meaning of our corporate philosophy of “contributing to people’s healthcare through pharmaceutical products” is to deliver innovative drugs effective for intractable and rare diseases. In order to fulfill this purpose, it is essential to develop human resources who lead innovation. We will optimally recruit, train, and assign employees and proactively make efforts to promote work style reform so that employees with a challenging spirit can exercise their abilities at a maximum.

To remain a company appreciated and trusted by all the stakeholders, JCR shall continuously make efforts to enforce the management foundation such as thorough compliance based on high senses of ethics and moral as a pharma, further emphasis on corporate governance, and transparency of corporate activities, and aim to accomplish sustainable growth.

(FOR REFERENCE PURPOSE)

[Reference] Development Status of New Products (As of May 22, 2018)

Recombinant Drug Products

Code (Nonproprietary name)	Indication	Status (Japan)	Remarks
JR-051 Alpha-galactosidase A (rDNA origin)	Fabry Disease (LSD)	Filed	<ul style="list-style-type: none"> • Enzyme replacement therapy (ERT) • Biosimilar
JR-141 BBB-Penetrating Iduronate-2- sulfatase (rDNA origin)	Hunter syndrome (LSD)	Japan: Phase III in preparation Brazil: Phase II in preparation	<ul style="list-style-type: none"> • ERT • J-Brain Cargo®
JR-162 J-Brain Cargo® applied acid alpha-glucosidase (rDNA origin)	Pompe disease (LSD)	Preclinical	<ul style="list-style-type: none"> • ERT • J-Brain Cargo® • J-MIG System®
JR-171 BBB-Penetrating acid alpha-L Iduronidase (rDNA origin)	Hurler syndrome (LSD)	Preclinical	<ul style="list-style-type: none"> • ERT • J-Brain Cargo®
JR-032 Iduronate-2-sulfatase (rDNA origin)	Hunter syndrome (LSD)	Clinical trials in preparation	<ul style="list-style-type: none"> • ERT • Biosimilar
JR-101 Glucocerebrosidase (rDNA origin)	Gaucher disease (LSD)	Clinical trials in preparation	<ul style="list-style-type: none"> • ERT • J-GlycoM® • Biosimilar
JR-131 Darbepoetin Alfa (rDNA origin)	Renal anemia	Phase III	<ul style="list-style-type: none"> • Co-developed with Kissei Pharmaceutical Co., Ltd. • Biosimilar
JR-401X Somatropin (rDNA origin)	SHOX deficiency	Phase III in preparation	<ul style="list-style-type: none"> • Expanded Indication of GROWJECT®
JR-142 Long-acting growth hormone (rDNA origin)	Growth disorders	Preclinical	<ul style="list-style-type: none"> • Long-acting human growth hormone product • J-MIG System®
JR-041 Follicle stimulating hormone (rDNA origin)	Infertility	Phase I/II	<ul style="list-style-type: none"> • Out-licensed to ASKA Pharmaceutical Co., Ltd.

(Note) LSD: Lysosomal Storage Disorder

Regenerative Medical Products

Code (Nonproprietary name)	Indication	Status (Japan)	Remarks
JTR-161/JR-161 Dental Pulp Stem Cells	Acute cerebral infarction	Phase I/II in preparation	<ul style="list-style-type: none"> • Co-developed with Teijin Limited

5. Trends in Assets and Profit and Loss

(1) Trends in the state of business results and assets of JCR Group

Category		40th term Fiscal year 2014	41st term Fiscal year 2015	42nd term Fiscal year 2016	43rd term (term under review) Fiscal year 2017
Sales	(million yen)	16,855	17,438	18,085	20,594
Operating income	(million yen)	2,014	2,152	2,362	3,784
Ordinary income	(million yen)	2,340	2,443	2,534	3,843
Current net income attributable to shareholders of parental company	(million yen)	1,682	1,789	1,863	3,070
Net income per share	(yen)	52.85	56.12	58.95	98.73
Total assets	(million yen)	34,086	35,346	36,385	38,398
Net assets	(million yen)	26,264	27,062	27,585	27,528

(2) Trends in the business results and assets of the Company

Category		40th term Fiscal year 2014	41st term Fiscal year 2015	42nd term Fiscal year 2016	43rd term (term under review) Fiscal year 2017
Sales	(million yen)	16,539	17,128	17,794	20,304
Operating income	(million yen)	1,986	2,052	2,265	3,732
Ordinary income	(million yen)	2,250	2,347	2,442	3,794
Net income	(million yen)	1,646	1,736	1,870	3,015
Net income per share	(yen)	51.72	54.46	59.19	96.97
Total assets	(million yen)	33,690	34,924	35,977	37,756
Net assets	(million yen)	26,034	26,855	27,399	27,049

6. Important subsidiaries, etc.

(1) Subsidiaries

Company Name	Capital	Investment Ratio of the Company	Description of Main Business
He Bei Jie Xi Bio-products Co., Ltd.	25 million RMB	100.0 %	Currently in the process of liquidation
Family Health Rental Co., Ltd.	150 million yen	99.3 %	Sale, lease and rental of medical devices
Chromatech Co., Ltd.	10 million yen	100.0 %	Sale of medical and laboratory equipment
JCR Engineering Co., Ltd.	10 million yen	100.0 %	Processing and custody of facility information Facility management Construction management
JCR INTERNATIONAL SA	1 million CHF	100.0 %	Surveys toward market development and investments related to pharmaceuticals
JCR USA, Inc.	5 million USD	65.0 %	Management and supervision of outsourcing to the CRO related to clinical trials

(Note) He Bei Jie Xi Bio-products Co., Ltd. resolved to dissolve on April 26, 2017, and it is currently in the process of liquidation.

(2) Affiliated company

No relevant items.

(3) Specified wholly-owned subsidiaries as of the last day of the fiscal year

No relevant items.

7. Scope of main business

The Company Group manufactures, purchases and sells ethical pharmaceuticals, regenerative medicine products, active pharmaceutical ingredients and raw materials and also purchases and sells medical and laboratory equipment such as physicochemical equipment and infant respiratory monitors.

(FOR REFERENCE PURPOSE)

8. Main places of business and plants

(1) JCR Pharmaceuticals Co., Ltd.

Category	Name (Location)
Head Office	Head Office (Ashiya, Hyogo Prefecture)
Office	Tokyo Office (Minato-ku, Tokyo)
Plants	Seishin Plant (Nishi-ku, Kobe) Kobe Plant (Nishi-ku, Kobe) Murotani Plant (Nishi-ku, Kobe) Kobe API Plant (Nishi-ku, Kobe)
Research Laboratory	Research Institute (Nishi-ku, Kobe)

(2) Subsidiaries

Category	Name (Location)
Japan	Family Health Rental Co., Ltd. (Chuo-ku, Kobe) Chromatech Co., Ltd. (Nishinomiya , Hyogo) JCR Engineering Co., Ltd. (Nishi-ku, Kobe)
Overseas	He Bei Jie Xi Bio-products Co., Ltd. (China) *Currently in the process of liquidation. JCR INTERNATIONAL SA (Switzerland) JCR USA, Inc. (USA)

(Note) Family Health Rental Co., Ltd. moved its headquarters to Nishi-ku, Kobe from Chuo-ku, Kobe on May 28, 2018.

9. Employees

Business Division	Number of Employees
Pharmaceuticals	492
Medical devices and laboratory equipment	10
Company-wide (shared)	66
Total	568

(Note) The number of employees refers to the employed workforce.

10. Principal Lenders

Lender	Loan Value
Mizuho Bank, Ltd.	¥1,150 million
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	¥1,150 million
Sumitomo Mitsui Banking Corporation	¥1,100 million

(Note) The Bank of Tokyo-Mitsubishi UFJ, Ltd. changed its company name to MUFG Bank, Ltd. on April 1, 2018.

2 Matters Related to the Shares of the Company

1. State of shares

- (1) Total number of authorized shares 80,000,000 shares
 (2) Total number of outstanding shares 32,421,577 shares (including 1,566,530 shares held as treasury shares)
 (3) Number of shareholders at the end of the term under review 3,796 shareholders

2. Principal shareholders (Top 10)

Name of Shareholder	Number of Shares Held	Ratio of Shareholding
Medipal Holdings Corporation	7,282,823 shares	23.60%
Kissei Pharmaceutical Co., Ltd.	3,800,000 shares	12.31%
Future Brain Co., Ltd.	2,177,990 shares	7.05%
The Nomura Trust and Banking Co., Ltd. (Trust A Account)	1,634,857 shares	5.29%
The Master Trust Bank of Japan, Ltd.(Trust Account)	1,577,600 shares	5.11%
Japan Trustee Services Bank, Ltd. (Trust Account)	1,448,000 shares	4.69%
Sumitomo Dainippon Pharma Co., Ltd.	850,000 shares	2.75%
Mochida Pharmaceutical Co., Ltd.	550,000 shares	1.78%
Japan Trustee Services Bank, Ltd. (Trust 9 Account)	489,600 shares	1.58%
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	285,000 shares	0.92%

- (Note) 1. As of October 31, 2017, the largest shareholder has changed from GLAXO GROUP LIMITED to Medipal Holdings Corporation.
 2. The Company holds 1,566,530 shares of the Company; however it is not included in the table above.
 3. 99,400 shares of the Company held with Trust Custody Services Bank, Ltd. (Trust E Account) following the adoption of Benefit Trust Scheme (J-ESOP), are not included in treasury shares of the Company (1,566,530 shares).
 4. Ratios of shareholding have been calculated after deducting treasury shares from the total number of outstanding shares.

3 Matters Related to the New Shares Subscription Rights of the Company

1. State of stock options granted as compensation for the execution of duties held by Directors and Audit & Supervisory Board Members on the last day of business year under review

Date of Resolution on Issue	Period of Exercise	Exercise Price	Recipients	Number of Rights (Note)
June 25, 2009	From To	July 1, 2009 June 30, 2039	1 yen 2 Directors (excluding Outside Directors)	9
June 25, 2010	From To	August 23, 2010 August 22, 2040	1 yen 2 Directors (excluding Outside Directors)	14
June 28, 2011	From To	July 15, 2011 July 14, 2041	1 yen 3 Directors (excluding Outside Directors)	135
June 27, 2012	From To	July 17, 2012 July 16, 2042	1 yen 4 Directors (excluding Outside Directors)	180
June 19, 2013	From To	July 10, 2013 July 9, 2043	1 yen 4 Directors (excluding Outside Directors)	80
July 25, 2014	From To	August 15, 2014 August 14, 2044	1 yen 4 Directors 1 Outside Director 1 Audit & Supervisory Board Member	120 10 10
June 24, 2015	From To	July 15, 2015 July 14, 2045	1 yen 5 Directors (excluding Outside Directors)	170
June 22, 2016	From To	July 13, 2016 July 12, 2046	1 yen 5 Directors (excluding Outside Directors)	200
June 28, 2017	From To	July 14, 2017 July 13, 2047	1 yen 5 Directors (excluding Outside Directors)	210

(Note) The number of shares to be acquired by exercise of new share subscription rights resolved on June 25, 2009 and June 25, 2010 corresponds to 1,000 shares per new share subscription right.

The number of shares to be acquired by exercise of new share subscription rights resolved on June 28, 2011, June 27, 2012, June 19, 2013, July 25, 2014, June 24, 2015, June 22, 2016, and June 28, 2017 corresponds to 100 shares per new share subscription right.

2. State of new share subscription rights granted to Company employees as compensation for the execution of duties during the fiscal year under review

Date of Resolution on Issue	Period of Exercise	Exercise Price	Recipients	Number of Rights (Note)
June 28, 2017	From To	July 14, 2017 July 13, 2047	1 yen 1 Directors of subsidiary company 7 Corporate Officers	10 70

(FOR REFERENCE PURPOSE)

(Note) The number of shares to be acquired by exercise of new share subscription rights resolved on June 28, 2017 corresponds to 100 shares per new share subscription right

3. Other important matters related to new share subscription rights, etc.

No relevant items.

4 Officers (As of March 31, 2018)

1. Names, etc., of Directors and Audit & Supervisory Board Members

Position	Name	Responsibilities, Principal Duties, and Significant Concurrent Positions
Representative Director, Chairman and President Chief Executive Officer (CEO) and Chief Operating Officer (COO)	Shin Ashida	Member of the Board of Directors, Future Brain Co., Ltd. Representative Director and President, JCR INTERNATIONAL SA
Representative Director and Executive Vice President	Katsuya Nishino	Assistant to the President President of JCR USA, Inc.
Member, Board of Directors Senior Managing Director	Hiroshi Yoshimoto	General Manager, Production Division Chairman, He Bei Jie Xi Bio-products Co., Ltd.
Member, Board of Directors Managing Director	Tatsuo Suzuki	General Manager, Quality Assurance Division, Director, Regulatory Affairs Dept.
Member, Board of Directors	Mamoru Morita	Head of Sales Division
Member, Board of Directors (Outside Director)	Takashi Kobayashi	
Member, Board of Directors (Outside Director)	Toshihiro Ishikiriyama	President's Assistant (Advisor), Medinet Co., Ltd.
Member, Board of Directors (Outside Director)	Takashi Suetsuna	Outside Director, Totetsu Kogyo Co., Ltd. Audit & Supervisory Board Member, Keikyu Corporation Audit & Supervisory Board Member, Kandenko Co., Ltd. Councilor, All Japan Judo Federation of Public Interest Incorporated Foundation Administration Officer, Argerich Arts Promotion Foundation of Public Interest Incorporated Foundation
Full-Time Audit & Supervisory Board Member	Kazumasa Oizumi	
Outside Audit & Supervisory Board Member	Kazuhiko Yamada	Head of Kazuhiko Yamada Tax Accountant Offices Outside Director of Create Corporation
Outside Audit & Supervisory Board Member	Kenjiro Miyatake	Board Chairman of Kobe Pharmaceutical University
Outside Audit & Supervisory Board Member	Takeshi Komura	Outside Director of Maezawa Industries, Inc. Board Chairman of Capital Market Promotion Foundation of Public Interest Incorporated Foundation
Outside Audit & Supervisory Board Member	Shuichi Tani	President Emeritus of International University of Health and Welfare

(FOR REFERENCE PURPOSE)

(Note)The Company designated three (3) Outside Directors; Takashi Kobayashi, Toshihiro Ishikiryama and Takashi Suetsuna are Independent

1. Directors who are not likely to conflict of interest with the general shareholders as defined by the Tokyo Stock Exchange, Inc..
2. Philippe Fauchet and Kanako Kikuchi resigned from the Board of Directors on November 10, 2017.
3. The Company designated five (5) Outside Audit & Supervisory Board Members; Kazumasa Oizumi, Kazuhiko Yamada, Kenjiro Miyatake, Takeshi Komura and Shuichi Tani are Independent Audit & Supervisory Board Members who are not likely to conflict of interest with the general shareholders as defined by the Tokyo Stock Exchange, Inc..
4. Audit & Supervisory Board Member Kazumasa Oizumi has many years of experience at financial institutions; Audit & Supervisory Board Member Kazuhiko Yamada is a qualified tax accountant and has appreciable extent of knowledge with regard to finance and accounting; Audit & Supervisory Board Member Kenjiro Miyatake has experience as business manager in the pharmaceutical industry; Audit & Supervisory Board Member Takeshi Komura has extensive experience and high insight in administrative and financial institutions; Audit & Supervisory Board Member Shuichi Tani has extensive experience and high insight on health care and medical welfare.
5. The Company has introduced a Corporate Officer system in order to streamline the management organization and strengthen the functions of the Board of Directors.

The Corporate Officers are as follows.

Corporate Officer	Teiji Tomio	General Manager, Development Division
Corporate Officer	Akihiro Haguchi	General Manager, Administration Division
Corporate Officer	Takayo Egawa	General Manager, Business Development Division and Director, International Business & Licensing Dept.
Corporate Officer	Toru Ashida	General Manager, Office of President
Corporate Officer	Tohru Hirato, D.V.M.	General Manager, Research Division and Director, Research Institute
Corporate Officer	Yoshihiko Onishi	General Manager, Sales Division
Corporate Officer	Yutaka Honda	General Manager, Corporate Planning Division
Corporate Officer	Yuji Sato, M.D.,Ph.D.	In charge of Development Strategy, Development Division

*Teiji Tomio assumed the duty of director of the subsidiary JCR USA, Inc. and retired as the Corporate Officer as of March 31, 2018.

2. Summary of the details of liability limitation contracts

The Company has set a provision in the current Articles of Incorporation for concluding liability limitation contracts with Directors and Auditors who do not participate in the execution of operation so that we can call on excellent and appropriate human resources readily and they can fully exercise their expected role.

Under the said provision, the Company has concluded contracts with the Outside Directors Mr. Takashi Kobayashi, Mr. Toshihiro Ishikiryama, Mr. Takashi Suetsuna, and the five (5) Audit & Supervisory Board Members with respect to limiting their liabilities for damages under Paragraph 1, Article 423 of the Companies Act to the Minimum Liability Amount stipulated in Paragraph 1, Article 425 of the Companies Act so far as they are performing their duties in good faith and without gross negligence.

3. Amount of compensation, etc., of Directors and Audit & Supervisory Board Members

Post	Recipients	Amount of Compensation, etc.
Director (Outside Directors)	8 members (3 members)	313 million yen (27 million yen)
Audit & Supervisory Board Member (Outside Auditors)	6 members (6 members)	37 million yen (37 million yen)

(Note) 1 The number of Directors and Audit & Supervisory Board Members described in the table above includes one Audit & Supervisory Board Member (Outside Auditor) who retired at the time of close of the 42nd General Shareholders Meeting held on June 28, 2017.

2. The amount of compensation, etc., includes ¥80 million posted as a reserve for bonuses for executives related to the fiscal year under review (¥75 million for 8 Directors and ¥5 million for 5 Audit & Supervisory Board Members).

3. The amount of compensation, etc., includes ¥56 million (amount as compensation) worth of new share subscription rights allotted to 5 Directors as stock options on July, 2017.

4. Matters Regarding the Outside Directors and Outside Audit & Supervisory Board Members

- (1) The Relationships between the Company and the Companies or Organizations Where the Outside Directors and Outside Audit & Supervisory Board Members Concurrently Hold Significant Positions
- a. Although Philippe Fauchet, who was Representative Director and Chairman of GlaxoSmithKline KK, and Mr. Kanako Kikuchi, who was Representative Director and President, of GlaxoSmithKline KK served concurrently as Outside Directors of the Company, both of them resigned as Outside Directors of the Company on November 10, 2017 in accordance with the amendment of the comprehensive agreement on the biopharmaceutical business between the Company and GlaxoSmithKline Group on September 21, 2017.
 - b. There is no significant trading relationship between the Company and Medinet Co., Ltd..
 - c. There is no significant trading relationship between the Company and Totetsu Kogyo Co., Ltd..
 - d. There is no significant trading relationship between the Company and Keikyu Corporation.
 - e. There is no significant trading relationship between the Company and Kandenko Co., Ltd..
 - f. There is no significant trading relationship between the Company and All Japan Judo Federation of Public Interest Incorporated Foundation.
 - g. There is no significant trading relationship between the Company and Argerich Arts Promotion Foundation of Public Interest Incorporated Foundation.
 - h. There is no significant trading relationship between the Company and Kazuhiko Yamada Tax Accountant Offices.
 - i. There is no significant trading relationship between the Company and Create Corporation.
 - j. There is no significant trading relationship between the Company and Kobe Pharmaceutical University.
 - k. There is no significant trading relationship between the Company and Maezawa Industries, Inc..
 - l. There is no significant trading relationship between the Company and Capital Market Promotion Foundation of Public Interest Incorporated Foundation.
 - m. There is no significant trading relationship between the Company and International University of Health and Welfare.

(FOR REFERENCE PURPOSE)

(2) The Principal Activities of the Outside Directors and Outside Audit & Supervisory Board Members

Category	Name	Principal Activities
Outside Director	Philippe Fauchet	Among the nine (9) meetings held by the Board of Directors during his service in the fiscal year under review, he attended six (6) meetings, and he made statements at those meetings, primarily based on his standpoint as a business manager.
Outside Director	Takashi Kobayashi	Among the fourteen (14) meetings held by the Board of Directors during the fiscal year under review, he attended all meetings, and he made statements at those meetings, primarily based on his standpoint as a business manager.
Outside Director	Toshihiro Ishikiriyama	Among the fourteen (14) meetings held by the Board of Directors during the fiscal year under review, he attended all meetings, and he made statements at those meetings, primarily based on his standpoint as a business manager.
Outside Director	Kanako Kikuchi	Among the nine (9) meetings held by the Board of Directors during her service in the fiscal year under review, she attended seven (7) meetings, and she made statements at those meetings, primarily based on her standpoint as a business manager.
Outside Director	Takashi Suetsuna	Among the fourteen (14) meetings held by the Board of Directors during the fiscal year under review, he attended all two (2) meetings as Outside Audit & Supervisory Board Member before he assumed Outside Director and all twelve (12) meetings as Outside Director after he assumed Outside Director, and he made statements at those meetings, primarily based on his career and knowledge in public administrations over many years.
Outside Audit & Supervisory Board Member	Kazumasa Oizumi	He attended all fourteen (14) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from his career in the financial industry and experience as Outside Audit & Supervisory Board Member.
Outside Audit & Supervisory Board Member	Kazuhiko Yamada	He attended all fourteen (14) meetings held by the Board of Directors and all thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from his expertise as a tax accountant as Outside Audit & Supervisory Board Member.

(FOR REFERENCE PURPOSE)

Category	Name	Principal Activities
Outside Audit & Supervisory Board Member	Kenjiro Miyatake	He attended all fourteen (14) meetings held by the Board of Directors and twelve (12) out of thirteen (13) meetings held by the Audit & Supervisory Board during the fiscal year under review, and he made statements at those meetings, primarily from his career as a business manager of a pharmaceutical company over many years as Outside Audit & Supervisory Board Member.
Outside Audit & Supervisory Board Member	Takeshi Komura	He attended all twelve (12) meetings held by the Board of Directors and all ten (10) meetings held by the Audit & Supervisory Board after he assumed Outside Audit & Supervisory Board Member during the fiscal year under review, and he made statements at those meetings, primarily from his extensive experience in administrative agencies and a wide range of finance as Outside Audit & Supervisory Board Member.
Outside Audit & Supervisory Board Member	Shuichi Tani	He attended all twelve (12) meetings held by the Board of Directors and all ten (10) meetings held by the Audit & Supervisory Board after he assumed Outside Audit & Supervisory Board Member during the fiscal year under review, and he made statements at those meetings, primarily from his extensive experience on health care, deep insight into medical welfare and educational institutions as Outside Audit & Supervisory Board Member.

(Note) 1.Takashi Suetsuna assumed the duty of Outside Director after resigning as Outside Audit & Supervisory Board Member at the time of the conclusion of the 42nd ordinary general meeting of shareholders held on June 28, 2017.

2.Philippe Fauchet resigned from the Board of Directors on November 10, 2017.

3.Kanako Kikuchi resigned from the Board of Directors on November 10, 2017.

5 Accounting Auditor

1. Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

2. Amount of compensation, etc., for the Accounting Auditor related to the fiscal year under review

(1) Amount of compensation for the auditing work as the Accounting Auditor of the Company

28 million yen

(2) Amount of compensation for the non-auditing work as the Accounting Auditor of the Company

6 million yen

(3) Total value of money that the Company and the Company's subsidiaries should pay and other economic benefits

34 million yen

- (Note) 1. Regarding the compensation, etc., for the Accounting Auditor, the Audit & Supervisory Board has given consent to it under Paragraph 1, Article 399 of the Companies Act after having checked the time of audits by audit item, the transition of compensations for audits, the audit plan and achievements of past fiscal years, in light of the “Practical Guidelines for Cooperation with Financial Auditors” released by the Japan Audit & Supervisory Board Members Association followed by considering the adequacy and applicability of the estimated time of audits and amount of compensations for the fiscal year under review.
2. The amounts of the audit compensation, etc., for audits based on the Companies Act and audits based on the Financial Instruments and Exchange Act are not clearly distinguished in the audit contract concluded between the Company and the Accounting Auditor, and cannot be distinguished in reality either therefore the values given above are the total values.

3. Details of non-auditing work

The Company entrusts the accounting auditor with "advisory work related to the implementation of cost management system" and "advisory work related to overseas expansion", which is a task (non-auditing work) other than the work under paragraph 1, Article 2 of the Certified Public Accountants Act.

4. Policy for determination of the dismissal or non-reappointment of an Accounting Auditor

- (1) The Audit & Supervisory Board may dismiss an Accounting Auditor with the unanimous consent of all Audit & Supervisory Board Members if they are of the opinion that the Accounting Auditor falls under one of the categories stipulated in the items of Article 340 Paragraph 1 of the Companies Act and would cause a material adverse effect against the auditing work of the Company. In that case, Audit & Supervisory Board Members nominated by the Audit & Supervisory Board shall present a report at the earliest General Meeting of Shareholders convened after the dismissal to the effect that the Accounting Auditor has been dismissed, together with the reason for the dismissal.
- (2) Apart from cases based on the circumstances of the Company, the Audit & Supervisory Board may also determine the contents of a proposal for the dismissal or non-reappointment of an Accounting Auditor and the Board of Directors may submit the proposal to a General Meeting of Shareholders based on the determination, if the Accounting Auditor violates or infringes a law such as the Companies Act or Certified Public Accountants Act, etc., and in the opinion of the Audit & Supervisory Board, the duties of the Accounting Auditor is not or will not be carried out appropriately, or if a material adverse effect has or will have arisen in the auditing work of the Company due to the Accounting Auditor being punished with a work suspension order by the supervisory authorities.

5. Summary of the details of liability limitation contracts

The Company has no contract with the Accounting Auditor that limits its liability for damages under Article 423 Paragraph 1 of the Companies Act.

6 Company Systems and Policies

1. Systems to ensure the appropriateness of work

(1) Systems to ensure the appropriateness of work

- [1] Systems to ensure that the execution of the duties of Directors and employees conforms to laws and regulations, and the Articles of Incorporation

The Company has stipulated compliance behavior standards to ensure that the execution of the duties of Directors and the execution of the duties of employees who execute their duties under the direction and supervision of Directors conforms to laws and regulations. Moreover, the Company has prepared compliance handbooks that have put the details of those standards into concrete form and is aiming for the diffusion and thorough implementation of the corporate philosophy, corporate ethics and compliance on an everyday basis by distributing those handbooks to all Directors and employees. Furthermore, the Company will enhance educational activities by implementing internal training meetings organized by the Compliance Committee and issuing periodical compliance communications to ensure systems that enable strong awareness of both the Board of Directors and employees with regard to compliance at all times, and strive for the prevention of behavior that violates laws and regulations.

Moreover, the Company is maintaining an internal audit system by the Internal Audit Division, conducting audits of the appropriate processing and efficiency of work management and audits of cross checks and monitoring of work, and preparing systems that allow the results of internal audits to be reflected fully in compliance systems.

- [2] Systems related to the storage and control of information pertaining to the execution of the duties of Directors

The Company prepares, stores and controls documents such as requests for approval based on internal regulations such as the regulations on requests for approval, document control regulations, information security and control regulations, and contract work management regulations, etc., and ensures that system with regard to access to information pertaining to the execution of the duties of Directors and the execution of the duties of employees who execute their duties under the direction and supervision of Directors. The Company will strive for the further enhancement of these systems in the future.

- [3] Regulations related to management of the risk of loss and their systems

The Company establishes a basic risk management guideline and develops a risk management system under the guideline. The Company apprehends exposure of risk in corporate activities as a company that handles products, namely drugs, related to people's health, has established procedures related to risk control in each division, as well as systems with which it can prevent the occurrence of risk, manage risk, and respond to risk that has occurred in collaboration with the concerned committees such as the Risk Management Promotion Office, Internal Control Committee and Compliance Committee. In particular, as a pharmaceutical company, the Company regularly holds meetings of the three executives of manufacturing and marketing (the marketing supervisor-general, quality assurance manager and safety management supervisor) in

(FOR REFERENCE PURPOSE)

accordance with laws/regulations, and has constructed systems that assure the quality, effectiveness and safety of drugs.

Moreover, while expanding its operations globally, the Company will introduce the global-standard drug quality system and pursue an even higher level of safety.

[4] Systems to ensure that the execution of the duties of Directors is carried out efficiently

The Company has introduced a Corporate Officer system and adopted systems whereby work based on decision-making by the Board of Directors is executed promptly and efficiently by each Corporate Officer.

The Company holds regular meetings of the Board of Directors once a month, otherwise regularly holds meetings of a Management Council with members comprising Directors and Corporate Officers, aims for communication between both Directors and Corporate Officers with regard to the execution of duties and has established systems that enable appropriate measures to be taken quickly based on regular reporting of matters like the state of progress toward the work targets of each division.

Decision-making in the everyday execution of duties is carried out based on the regulations on the segregation of duties and the regulations on management authority, etc., and the Company will simplify decision-making routes and make the execution of duties more efficient in the future by the further revision of management authority, etc.

[5] Systems to ensure the appropriateness of work in the Company Group

The Company manages its subsidiaries based on regulations on the management of affiliated companies. In addition, regarding reporting to the Company about matters related to execution of duties of Directors, etc. of subsidiaries, the Company has appointed a Director to supervise affiliates, deploys Company's Directors and employees as Directors of subsidiaries, has supervisory Directors report regularly in regard to the status of execution of work at meetings of the Company's Board of Directors, and has adopted systems whereby the financial status and status of execution of work can be confirmed at all times.

Regarding the management of the risk of loss at subsidiary companies, we have constructed a system which enables us to deal with matters such as prevention of occurrence of risks, management of risks, and handling of risks having occurred by applying mutatis mutandis the Company's basic risk management guideline at subsidiary companies. We also have subsidiary companies report the status of the risk management to the Company periodically or as needed. Furthermore, in order to ensure that the duties of Directors, etc. at subsidiary companies are executed efficiently, the Company has streamlined the decision-making route, and periodically received reports of the status of these matters.

The Company's compliance behavior standards and compliance handbooks are applied mutatis mutandis at subsidiary companies to ensure that the duties of Directors, etc. and employees at subsidiary companies are executed in compliance with laws, regulations and the Articles of Incorporation.

Audit & Supervisory Board Members requests subsidiary companies to report on operations when it is necessary for Audit & Supervisory Board Members to execute its duties and also surveys the state of business and asset performance of the subsidiary companies.

[6] Matters related to the employees in question in the event of the appointment of employees having been requested by Audit & Supervisory Board Members to assist in its duties and matters related to the independence of those employees from

(FOR REFERENCE PURPOSE)

Directors and the securing of the effectiveness of instructions by Audit & Supervisory Board Members to those employees
Employees who shall assist the duties of Audit & Supervisory Board Members shall be appointed in accordance with the needs of Audit & Supervisory Board Members and the Directors shall respect the opinions of Audit & Supervisory Board Members in regard to those personnel matters in order to ensure the independence of those employees from Directors. In securing the effectiveness of instructions by Audit & Supervisory Board Members to those employees, the employees shall execute their duties under the supervision and direction of Audit & Supervisory Board Members and the Company cooperates in improving the auditing environments.

- [7] Systems related to reports from the Company's and subsidiary companies' Directors and employees to Audit & Supervisory Board Members and systems to ensure that those reporters will not be unfavorably treated due to those reports
The Company's Directors and employees shall report in accordance with the laws and regulations to Audit & Supervisory Board Members on a case-by-case basis with regard to the work of the Company and important matters that exert an impact on the work of the Company.

In addition, the Company has set up a contact point for whistle-blowing inside and outside the Company for all of the Company's and subsidiary companies' employees, and from the viewpoints of laws, regulations and rules, the Company has adopted a system whereby behaviors against them and events that will have a significant influence will be promptly reported to Audit & Supervisory Board Members.

The Company ensures, pursuant to the whistle-blowing system, that individuals who make a report to Audit & Supervisory Board Members will not be unfavorably treated at all due to the report, and also periodically verify whether this is done in a thorough manner at the Internal Audit Dept.

- [8] Matters related to expenses incurred for the execution of duties of Audit & Supervisory Board Members or matters related to policies on the disposal of debts

When Audit & Supervisory Board Members request an advance payment of expenses incurred for the execution of their duties, a reimbursement of expenses, spent, or debts borne, this request shall be accepted according to predefined procedures unless the said expenses requested are recognized obviously unnecessary for the execution of duties of Audit & Supervisory Board Members.

- [9] Other systems to ensure that the audits by Audit & Supervisory Board Members are carried out effectively

Audit & Supervisory Board Members shall attend meetings of the Board of Directors and other important meetings, or review important documents related to the execution of work and arrange the auditing environments so that they can request explanations from Directors, employees or the Accounting Auditor as necessary.

- [10] The fundamental principles towards the exclusion of anti-social forces and its scheme

The basic policy of the Company is "to confront adamantly any anti-social force that threatens civil society" and the Company raises that policy in its code of practice to familiarize all executives and employees thoroughly. The Company has also constructed and maintains close-knit cooperative relations with police forces of respective district and expert external institutions and gathers information on anti-social forces and groups proactively. The Company has constructed systems that enable it to cooperate closely with external institutions and legal experts and cope when any incident occurs.

(FOR REFERENCE PURPOSE)

(2) Summary of the operational status of systems to ensure the adequacy of work

- [1] Operational status for ensuring that the execution of the duties of Directors and employees conforms to laws and regulations, and the Articles of Incorporation

We communicate and disseminate the compliance and the compliance behavior standards to all Directors and employees including subsidiary companies by means such as distribution of compliance handbooks, implementation of company-wide training twice a year, and regular issuance of compliance newsletters. Additionally, we make efforts for prevention and suppression of violating acts by setting up a contact point for whistle-blowing inside and outside the Company. Furthermore, we reflect the results of internal audits in the execution of work and enrichment of the compliance system.

- [2] Operational status related to the storage and control of information pertaining to the execution of the duties of Directors

Regarding the handling of information at the Company, we have rigorous access restrictions in place for each job level, division, department and project. Information to be transmitted externally is utilized in a rigorous manner by means such as specified "Detailed Regulations on Handling of Internal Information to be Transmitted Outside the Company".

- [3] Operational status related to management of the risk of loss

In order to minimize losses or disadvantages, the Company regularly sorts out significant risks across the company and at each division under the initiative of the Risk Management Promotion Office, and constructs and runs preventive measures and countermeasures in collaboration with the Internal Control Committee, the Compliance Committee and the Safety and Health Committee.

- [4] Operational status for ensuring that the execution of the duties of Directors is carried out efficiently

In addition to meetings of the Board of Directors and the Audit & Supervisory Board to be held once a month, we regularly hold meetings of a Management Council consisting of Directors and Corporate Officers twice a month, and confirm and evaluate whether the execution of work is operated efficiently and accurately at each conference body.

- [5] Operational status for ensuring the adequacy of work in the Company Group

As subsidiary companies' Directors, we dispatch the Company's Directors and employees. They review the status of the execution of work and the status of financial affairs and then report to and evaluate at the Company's Board of Directors. Also regarding the management of the risk of loss and the conformity to laws, regulations and the Articles of Incorporation, the Company regularly checks the operational status through making efforts for sorting out and handling risks and disseminating the compliance by applying mutatis mutandis the Company's related regulations.

- [6] Operational status for ensuring that the audits by Audit & Supervisory Board Members are carried out effectively

Audit & Supervisory Board Members perform audits based on the auditing plan established by the Audit & Supervisory Board, and also conduct hearing of Corporate Directors, employees, Directors of subsidiary companies, and the Accounting Auditor as needed.

- [7] Efforts toward the exclusion of anti-social forces

We make efforts for regularly communicating basic policies with Corporate Directors and employees and collecting information from related institutions, and at the time of occurrence of an event, we collaborate with the competent police and law firms.

2. Policy on the declaration of dividends of earned surplus

The Company regards the distribution of its profits to shareholders as an important management policy.

The basic policy of the Company in regard to the declaration of dividends of earned surplus, etc., is to provide continuous and stable dividends by taking into account of factors such as business performance and cash flow while securing sufficient internal reserves for the development of new drug products and the strengthening of financial status that will be the source of future profits. Under this basic policy, and considering the Company's record-high financial result again in the term under review, the Board of Directors resolved a dividend of ¥14 per share as the term-end dividend for the term under review at the board meeting on May 11, 2018. In combination with the interim dividend, this will provide a dividend of ¥26 per share for the full-term which is an increase of ¥4 from the previous term.

The Company intends to retain undistributed surplus as a resource for funding the enhancement of business structure and contribution to profit return.

(FOR REFERENCE PURPOSE)

Consolidated Balance Sheet (as of March 31, 2018)

(unit: million yen)

Accounting Item	Amount	Accounting Item	Amount
Assets		Liabilities	
[Current assets]	[23,327]	[Current liabilities]	[7,105]
Cash and deposits	4,895	Notes and accounts payable - trade	585
Notes and accounts receivable - trade	7,103	Short-term loans payable	2,893
Securities	1,217	Lease obligations	193
Merchandise and finished goods	1,759	Income taxes payable	887
Work in process	1,790	Provision for bonuses	560
Raw materials and supplies	5,474	Provision for directors' bonuses	80
Deferred tax assets	496	Other	1,904
Other	592	[Non-current liabilities]	[3,764]
[Non-current assets]	[15,070]	Long-term loans payable	2,500
Property, plant and equipment	(10,853)	Lease obligations	218
Buildings and structures	4,755	Provision for loss on guarantees	315
Machinery, equipment and vehicles	1,044	Provision for employee shares benefit	19
Land	3,882	Net defined benefit liability	641
Leased assets	392	Other	69
Other	778	Total liabilities	10870
Intangible assets	(112)	Net Assets	
Investments and other assets	(4,104)	[Shareholders' equity]	[26,435]
Investment securities	3,194	Capital stock	9,061
Net defined benefit asset	268	Capital surplus	10,947
Other	665	Retained earnings	10,469
Allowance for doubtful accounts	-22	Treasury shares	-4,042
		[Accumulated other comprehensive income]	[563]
		Valuation difference on available-for-sale securities	462
		Foreign currency translation adjustment	169
		Remeasurements of defined benefit plans	-67
		[Subscription rights to shares]	[344]
		[Non-controlling interests]	[185]
Total assets	38,398	Total net assets	27,528
		Total liabilities and net assets	38,398

(Note) Amounts of less than one million yen are rounded down to the nearest million yen.

(FOR REFERENCE PURPOSE)

Consolidated Statement of Income (From April 1, 2017 to March 31, 2018)

(unit: million yen)

Accounting Item	Amount	
Net sales		20,594
Cost of sales		6,128
		<hr/>
Gross profit		14,465
Selling, general and administrative expenses		10,681
		<hr/>
Operating income		3,784
Non-operating income		
Interest income	20	
Dividend income	25	
Gain on sales of investment securities	26	
Insurance income	11	
Other	21	105
		<hr/>
Non-operating expenses		
Interest expenses	27	
Foreign exchange losses	7	
Other	11	46
		<hr/>
Ordinary income		3,843
Extraordinary income		
Gain on sales of non-current assets	54	
Reversal of provision for loss on guarantees	22	
Other	0	77
		<hr/>
Extraordinary loss		
Loss on disposal of non-current assets	25	25
		<hr/>
Profit before income taxes		3,895
Income taxes-current	964	
Income taxes-deferred	-139	825
		<hr/>
Profit		3,069
Loss attributable to non-controlling interests		-0
		<hr/>
Profit attributable to owners of parent		3,070

(Note) Amounts of less than one million yen are rounded down to the nearest million yen.

(FOR REFERENCE PURPOSE)

Consolidated Statements of Changes in Equity (From April 1, 2017 to March 31, 2018)

(unit: million yen)

	Shareholders' Equity					Total Shareholders' Equity
	Capital	Capital Surplus	Retained Earnings	Treasury Shares		
Balance at beginning of current period	9,061	10,964	8,149	-1,486		26,689
Changes of items during period						
Dividends of surplus			-750			-750
Profit attributable to owners of parent			3,070			3,070
Purchase of treasury shares				-2,622		-2,622
Disposal of treasury shares		-16		66		49
Net changes of items other than shareholders' equity						
Total changes of items during period	-	-16	2,319	-2,556		-253
Balance at end of current period	9,061	10,947	10,469	-4,042		26,435

	Accumulated other comprehensive income				Subscription Rights to Shares	Non-controlling Interests	Total Net Assets
	Valuation Difference on Available-for-sale Securities	Foreign Currency Translation Adjustment	Remeasurements of Defined Benefit Plans	Total Accumulated Other Comprehensive Income			
Balance at beginning of current period	569	149	-103	616	279	0	27,585
Changes of items during period							
Dividends of surplus							-750
Profit attributable to owners of parent							3,070
Purchase of treasury shares							-2,622
Disposal of treasury shares							49
Net changes of items other than shareholders' equity	-107	19	35	-53	64	184	195
Total changes of items during period	-107	19	35	-53	64	184	-57
Balance at end of current period	462	169	-67	563	344	185	27,528

(Note) Amounts of less than one million yen are rounded down to the nearest million yen.

(FOR REFERENCE PURPOSE)

Balance Sheet (as of March 31, 2018)

(unit: million yen)

Assets		Liabilities	
Accounting Item	Amount	Accounting Item	Amount
[Current assets]	[21,915]	[Current liabilities]	[6,995]
Cash and deposits	3,621	Accounts payable - trade	577
Accounts receivable - trade	7,067	Short-term loans payable	2,480
Securities	1,217	Current portion of long-term loans payable	413
Merchandise and finished goods	1,668	Lease obligations	192
Work in process	1,790	Accounts payable - other	1,185
Raw materials and supplies	5,490	Accrued expenses	149
Advance payments - trade	31	Income taxes payable	875
Prepaid expenses	240	Advances received	84
Deferred tax assets	454	Deposits received	107
Other	333	Provision for bonuses	555
[Non-current assets]	[15,840]	Provision for directors' bonuses	80
Property, plant and equipment	-10,811	Other	293
Buildings	4,594	[Non-current liabilities]	[3,712]
Structures	161	Long-term loans payable	2,500
Machinery and equipment	1,034	Lease obligations	216
Vehicles	0	Provision for retirement benefits	594
Tools, furniture and fixtures	748	Provision for loss on guarantees	315
Land	3,882	Provision for employee shares benefit	19
Leased assets	389	Asset retirement obligations	37
		Other	27
Intangible assets	-106	<u>Total liabilities</u>	<u>10,707</u>
Patent right	1	Net Assets	
Software	100	[Shareholders' equity]	[26,242]
Telephone subscription right	5	Capital stock	9,061
Investments and other assets	-4,923	Capital surplus	10,947
Investment securities	3,194	Legal capital surplus	7,827
Shares of subsidiaries and associates	491	Other capital surplus	3,120
Investments in capital	2	Retained earnings	10,276
Investments in capital of subsidiaries and associates	233	Legal retained earnings	279
Long-term loans receivable	19	Other retained earnings	9,996
Long-term loans receivable from subsidiaries and associates	80	General reserve	951
Claims provable in bankruptcy, claims provable in rehabilitation and other	2	Retained earnings brought forward	9,045
Long-term prepaid expenses	41	Treasury shares	-4042
Prepaid pension cost	319	[Valuation and translation adjustments]	[462]
Deferred tax assets	35	Valuation difference on available-for-sale securities	462
Other	527	[Subscription rights to shares]	[344]
Allowance for doubtful accounts	-22	<u>Total net assets</u>	<u>27,049</u>
Total assets	37,756	<u>Total liabilities and net assets</u>	<u>37,756</u>

(Note) Amounts of less than one million yen are rounded down to the nearest million yen.

(FOR REFERENCE PURPOSE)

Statement of Income (From April 1, 2017 to March 31, 2018)

(unit: million yen)

Accounting Item	Amount	
Net sales		20,304
Cost of sales		6,128
Gross profit		14,175
Selling, general and administrative expenses		10,442
Operating income		3,732
Non-operating income		
Interest income	1	
Interest on securities	17	
Dividend income	25	
Gain on sales of investment securities	26	
Insurance income	11	
Other	24	107
Non-operating expenses		
Interest expenses	26	
Foreign exchange losses	7	
Other	10	44
Ordinary income		3,794
Extraordinary income		
Reversal of provision for loss on guarantees	22	
Other	0	22
Extraordinary losses		
Loss on disposal of non-current assets	7	7
Profit before income taxes		3,810
Income taxes - current	954	
Income taxes - deferred	-159	795
Profit		3,015

(Note) Amounts of less than one million yen are rounded down to the nearest million yen.

(FOR REFERENCE PURPOSE)

Statements of Changes in Equity (From April 1, 2017 to March 31, 2018)

(unit: million yen)

	Shareholders' equity					
	Capital Stock	Capital Surplus		Total Capital Surpluses		
		Legal Capital Surplus	Other Capital Surplus			
Balance at beginning of current period	9,061	7,827	3,136		10,964	
Changes of items during period						
Dividends of surplus						
Profit						
Purchase of treasury shares						
Disposal of treasury shares				-16		-16
Net changes of items other than shareholders' equity						
Total changes of items during period	—	—		-16		-16
Balance at end of current period	9,061	7,827	3,120		10,947	
	Shareholders' Equity					
	Legal Retained Earnings	Retained earnings			Treasury Shares	Total Shareholders' Equity
		General Reserve	Retained Earnings Brought Forward	Total Other Retained Earnings		
Balance at beginning of current period	279	951	6,780	8,010	-1,486	26,550
Changes of items during period						
Dividends of surplus			-750	-750		-750
Profit			3,015	3,015		3,015
Purchase of treasury shares					-2,622	-2,622
Disposal of treasury shares					66	49
Net changes of items other than shareholders' equity						
Total changes of items during period	—	—	2,265	2,265	-2,556	-307
Balance at end of current period	279	951	9,045	10,276	-4,042	26,242
	Valuation and Translation Adjustments			Subscription Rights to Shares	Total Net Assets	
	Valuation Difference on Available-for-sale Securities	Total Valuation and Translation Adjustments				
Balance at beginning of current period		569	569	279	27,399	
Changes of items during period						
Dividends of surplus					-750	
Profit					3,015	
Purchase of treasury shares					-2,622	
Disposal of treasury shares					49	
Net changes of items other than shareholders' equity		-107	-107	64	-42	
Total changes of items during period		-107	-107	64	-350	
Balance at end of current period		462	462	344	27,049	

(Note) Amounts of less than one million yen are rounded down to the nearest million yen.